

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 ISO-00 AGR-05 IO-13 SP-02

USIA-06 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 L-03 H-02 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 DODE-00 PA-01

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

AMEMBASSY LONDON

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

INFO AMEMBASSY ABIDJAN

AMEMBASSY BOGOTA

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY MEXICO

AMEMBASSY SAN SALVADOR

AMEMBASSY TANANARIVE

C O N F I D E N T I A L STATE 211638

E.O. 11652: GDS

TAGS: ETRD, EPAP, EAGR, BR

SUBJECT: BRAZIL COFFEE PURCHASES

REFS: (A) BRASILIA 7289 (NOTAL), (B) BRASILIA 7385

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1. DEPARTMENT AGREES WITH EMBASSY JUDGMENT THAT PRICE MAINTENANCE IS MOST LIKELY A PRIMARY PURPOSE OF BRAZILIAN ATTEMPTS TO PURCHASE COFFEE FROM OTHER PRODUCERS.

2. FOR THE TIME BEING, DEPARTMENT WOULD PREFER TO PURSUE THE MATTER IN THE ICO RATHER THAN BILATERALLY. WE INTEND TO RAISE THE QUESTION AT THE AUGUST 26-27 MEETING OF THE ICO EXECUTIVE BOARD IN LONDON. WE WILL SOUND OUT THE OTHER MAJOR CONSUMING COUNTRIES ON THEIR VIEWS OF THE COFFEE PURCHASES AND EXPECT TO RECEIVE THEIR SUPPORT AT THAT MEETING. WE HOPE TO DISCOURAGE OTHER PRODUCERS FROM SELLING COFFEE TO BRAZIL BY MAKING IT CLEAR THAT ANY COFFEE SOLD IN THIS MANNER WILL NOT BE CREDITED TO THE EXPORT BASE OF THE SELLING COUNTRY FOR THE PURPOSE OF EVENTUAL BASIC QUOTA CALCULATION.

3. IN PREVIOUS MEETINGS OF THE ICO, BRAZIL AND THE OTHER MAJOR PRODUCERS HAVE EXPRESSED GREAT INTEREST IN ENSURING THAT THE STATISTICAL TRACKING SYSTEM ACCURATELY RECORD THE FLOW OF COFFEE FROM EXPORTING TO IMPORTING MEMBER COUNTRIES. THEY HAVE CLAIMED THAT THE INTEGRITY OF THE QUOTA SYSTEM WILL DEPEND UPON THE ACCURACY OF THESE STATISTICS AND HAVE URGED THE ACTIVE COOPERATION OF IMPORTING MEMBERS. (FYI- THE RESPONSIBILITY FOR THE OPERATION OF THE TRACKING SYSTEM RESTS WITH THE EXPORTERS WHEN QUOTAS ARE NOT IN EFFECT. END FYI). UNTIL NOW, THE U. S. HAS BEEN THE MOST FORTHCOMING IMPORTING MEMBER. WE WILL BE CONSIDERABLY LESS FORTHCOMING AT THE EXECUTIVE BOARD MEETING. WE WILL POINT OUT THAT ANY LARGE SCALE PURCHASES BY ONE EXPORTER FROM ANOTHER FOR THE PURPOSE OF PROCESSING AND RE-EXPORT WILL BE VIRTUALLY IMPOSSIBLE TO TRACK WITH ANY DEGREE OF ACCURACY AND WILL CAST DOUBT UPON THE RELIABILITY OF THE EXPORT FIGURES OF BOTH THE BUYER AND THE SELLER.

4. WE WILL TELL THE BRAZILIANS INFORMALLY THAT WE ARE SERIOUSLY CONCERNED AT THE EXTENT TO WHICH THE ANNOUNCED AND RUMORED PURCHASES HAVE DISENCHANTED THE U. S. COFFEE TRADE AND INDUSTRY. WE WILL EMPHASIZE THAT THE COOPERATION OF OUR TRADE AND INDUSTRY IS VITAL IF THE TRACKING SYSTEM IS TO WORK. WE WILL ALSO NOTE THAT WHILE THE

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SENATE GAVE ITS ADVICE AND CONSENT TO RATIFICATION OF THE NEW ICA ON AUGUST 23, WE STILL REQUIRE IMPLEMENTING LEGISLATION FROM BOTH HOUSES OF CONGRESS BEFORE WE WILL BE ABLE FULLY TO CARRY OUT OUR OBLIGATIONS UNDER THE ICA.

5. IN ORDER TO HAVE ACCURATE INFORMATION ON WHICH TO JUDGE FUTURE BRAZILIAN ACTIONS, THE DEPARTMENT WOULD APPRECIATE AN UPDATE OF THE SURVEY OF BRAZIL'S SOLUBLE

COFFEE INDUSTRY CONTAINED IN RIO DE JANEIRO'S TELEGRAM
2846 OF APRIL 30, 1970. THE SURVEY SHOULD INCLUDE THE
SPRAY DRIED AND FREEZE DRIED CAPACITY OF EACH PLANT AND
AVERAGE PRODUCTION FOR THE PAST THREE YEARS. INFORMATION
ON OWNERSHIP WOULD ALSO BE HELPFUL, ESPECIALLY IF U. S.
OR OTHER FOREIGN INVESTMENT IS INVOLVED. KISSINGER

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